

## MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on March 8, 2005 in Room 234-N of the Capitol.

All members were present.

## Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Terri Weber, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Sandy Yingling, Committee Secretary

## Conferees appearing before the committee:

Chris Swickard, Second Vice President and Counsel Security Benefit Life Insurance Company  
David Hanson, Legislative Counsel, Kansas Life & Health Insurance Association  
Bill Henry, Kansas Credit Union Association, Director of Governmental Affairs  
Jerel Wright, Kansas Department of Credit Unions

## Others attending:

See attached list.

Madam Chair announced several Minutes that would be approved in our March 15 meeting.

Madam Chair opened the hearing on **HB 2323**.

**HB 2323 - Insurance company structure; statutory changes compatible with corporation.**

Chris Swickard, Security Benefit Life Insurance Company, testified in favor of **HB 2323**. This bill amends three Kansas statutes. K.S.A. 40-305, which applies to domestic insurance companies having capital stock, sets forth certain requirements regarding the number of directors an insurer must have and how directors are to be elected. K.S.A. 40-306, which deals with, among other things, the organization of stock insurance companies and provides that the board of directors of a company "shall elect from their number a President and Vice President, and shall appoint a Secretary, Treasurer and such other officers as shall be prescribed in the by laws, and shall fill any vacancies that may occur." K.S.A. 40-502, which applies to mutual life insurance companies and mutual holding companies, parallels 40-305 and 40-306 in that 40-502 requires directors to take an oath of office "as in other corporations." (Attachment 1)

Chair Teichman asked what the vote was in the House? **HB 2323** had no opposition with a 121 to 0 vote. Chair Teichman explained that basically the committee was dealing with clean-up language. Senator Schmidt asked if K.S.A. 40-306 in the last sentence of Mr. Swickard's testimony should read K.S.A. 40-502? Mr. Swickard stated, yes.

David Hanson, Kansas Life & Health Insurance Association, offered written testimony in favor of **HB 2323**. (Attachment 2)

There were no further questions.

Madam Chair closed the hearing on **HB 2323**.

Madam Chair opened the hearing on **HB 2325**.

**HB 2325 - Life insurance; regulation of certain types of contracts.**

Terry Weber, Kansas Legislative Research Department, presented a brief overview of **HB 2325**. **HB 2325** amends K.S.A. 40-401, K.S.A. 40-436 and K.S.A. 40-3641. Primarily **HB 2325** provides for stock in mutual life insurance companies to issue funding agreements, guaranteed investment contracts and synthetic guarantees. This bill was requested by Security Benefit and Life Insurance Company. There are a few of the technical amendments and amending language on page 1, line 20 & 21; page 2, line 37 & 41; and page 3, line

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16. There are other areas with small technical changes. One amendment made by the House committee to insert the word “guarantee” on page 1, line 21. There is no fiscal impact. The House vote was 121 to 0.

Chris Swickard, Security Benefit Life Insurance Company, testified in favor of **HB 2325**. Mr. Swickard explained funding agreement, guaranteed investment contract (GIC) and synthetic GIC. Mr. Swickard stated the lack of clarity in the Kansas Insurance Code can have detrimental effects on Security Benefit in a couple of ways, first, purchasers may prefer to deal with insurers domiciled in states where the statutes are clearer. Second, Security Benefit is regularly asked by purchasers to be provided an opinion of outside counsel (at considerable expense to the Company, thus policyholders) attesting to the validity of the contracts under Kansas law. (Attachment 3)

Chair Teichman asked Mr. Swickard to please define “synthetic guaranteed investment.” Mr. Swickard referred to his attachment (attachment 3 herewith). Madam Chair stated it sounded like hedging to her. There was some agreement from the committee.

David Hanson, Kansas Life & Health Insurance Association, offered written testimony in favor or **HB 2325**. (Attachment 4)

There were no further questions.

Madam Chair closed the hearing on **HB 2325**.

Madam Chair opened the hearing on **HB 2099**.

**HB 2099 - Credit unions; powers of the administrator.**

Melissa Calderwood, Kansas Legislative Research Department, presented an overview of **HB 2099**. The bill amends three sections of Kansas credit union law, K.S.A. 17-2206, K.S.A. 17-2223a, and K.S.A. 17-2244. This bill would require that a credit union approved to do business in the state be subject to the same examination as a state chartered credit union. **HB 2099** is requested by the Kansas Credit Union Association.. There was no opposition in the House, the bill passed 122 to 0. There were House committee amendments in the bill. The fiscal note stated that there would be an increase in collection of fees and that expenditures could increase slightly.

Bill Henry, Kansas Credit Union Association, testified in support of **HB 2099**. This bill verifies the authority that we already have in federal chartered credit unions. If a Missouri-chartered credit union with operations in Kansas was offering a service allowed in Missouri, but not in Kansas, then a Kansas-chartered credit union would provide a written request of the Administrator for a special order to allow it to offer that same service. (Attachment 5)

Jerel Wright, Kansas Department of Credit Unions, testified in favor of **HB 2099**. Mr. Wright explained the amendments to the Kansas statutes. (Attachment 6)

Senator Wysong asked why this year, instead of 5 or 7 years ago, are the credit unions bringing this forth? Mr. Wright answered, in 2001 they looked into it and made a request to include it in the banker’s bill. They eventually withdrew.

Ken Wilke stated that on page 4, subsection b of the bill, it appears that in regard to K.S.A. 17-2206 it would put them on the same parenting issue of authority. Mr. Wright stated that it actually gives them the authority to go into the institution for examination.

There were no other questions.

Madam Chair closed the hearing on **HB 2099**.

Meeting adjourned at 10:01 a.m.

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